

Service Date: November 24, 1987

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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|                                  |   |                    |
|----------------------------------|---|--------------------|
| IN THE MATTER of the Application | ) |                    |
| of GRANT CREEK WATER WORKS for   | ) | UTILITY DIVISION   |
| Authority to Increase Rates and  | ) | DOCKET NO. 87.2.10 |
| Charges for Water Service in its | ) | ORDER NO. 5308     |
| Missoula, Montana Service Area.  | ) |                    |

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APPEARANCES

FOR THE APPLICANT:

Yvonne Smith, Attorney at Law, P.O. Box 9410, Missoula,  
Montana 59807-9410

FOR THE INTERVENORS:

Mary Wright, Staff Attorney, Montana Consumer Counsel, 34  
West Sixth Avenue, Helena, Montana 59620

FOR THE COMMISSION:

Geralyn Driscoll, Staff Attorney, 2701 Prospect Avenue,  
Helena, Montana 59620

BEFORE:

Howard Ellis, Commissioner and Hearing Examiner

BACKGROUND

1. On February 2, 1987, Grant Creek Water Works (Applicant or GC) filed an application with this Commission for authority to increase water rates and charges to its Missoula, Montana customers on a permanent basis by approximately 48.0%. This constitutes a revenue increase of approximately \$1,080.

2. On August 4, 1987, following a notice of public hearing, a hearing was held in the City Council Chambers, City Hall, Missoula, Montana. The purpose of the public hearing was to

consider the merits of the Applicant's proposed water rate adjustment. At the close of the public hearing, all parties waived their rights to a proposed order and stipulated to authorize the Commission to issue a Final Order in this Docket.

3. GC provides water service in the upper Grant Creek valley area of Missoula, Montana. The construction of the water system owned and operated by GC was financed through special improvement district assessments that were/are paid for by owners of properties in GC's service area. Originally the City of Missoula owned the water system in the Grant Creek area. Transfer of ownership by the City of Missoula to a private entity occurred in the latter part of 1983, with ownership ultimately being transferred to GC. Since construction of the utility plant in service was financed through an SID, GC has no investment in the utility plant that existed as of 1983. The information in this finding is provided so that parties will have an understanding why the Commission is not affording this privately owned utility the generally accepted rate base treatment for determining reasonable rates.

#### ANALYSIS AND FINDINGS OF FACT

4. At the public hearing, the Applicant presented the testimony and exhibits of Yvonne Smith. Ms. Smith testified relative to: the financial statements of the utility, the slow pace of development in the utility's service area, the hiring of a certified water operator and increased costs of operating the utility.

5. During the course of the public hearing, two (2) public witnesses appeared and offered testimony regarding GC's rate increase application. These public witnesses expressed opposition to the Applicant's proposal to increase rates and charges to consumers currently connected to the water system. These consumers proposed that the Applicant look at alternative rate structures that would place a portion of the burden for operating the water system on the property owners of undeveloped lots.

6. In this application, GC has requested that the Commission authorize an increase in rates that will generate approximately \$1,080 in additional annual revenues. The Applicant's witness, Ms. Smith, stated that the increase in revenues sought in this application were needed to defray increased costs of operation and reduce the magnitude of operating losses currently being experienced by the GC.

7. During the course of this proceeding, it was determined that the Applicant in its filing had not accounted for all revenues that should have been collected through rates. On November 1, 1985, GC filed with this Commission a request for authorization to implement a monthly fire hydrant rental charge for 6 and 8 inch fire hydrants. The Applicant proposed a monthly charge of \$18.88 and \$34.24 for 6 and 8 inch hydrants, respectively. On November 12, 1985, this Commission at its regularly scheduled agenda meeting approved GC's request for implementation of the hydrant charges.

8. As of the date of the hearing in this Docket, the Applicant had failed to make an assessment and collect the approved hydrant rental fees. If the Applicant had assessed and collected the hydrant rental fees authorized by the Commission, the Applicant would have generated, at a minimum, additional annual revenues amounting to approximately \$3,172. The Applicant's failure to collect these revenues is sufficient reason for the Commission to deny the Applicant's request for authorization to increase residential rates. The collection of revenues from the authorized hydrant rentals charges exceeds the revenue increase of \$1,080 requested in this filing. Since the revenue that would be generated by assessment of the approved hydrant rental fee exceeds the revenue request and those revenues have not been reflected in the Applicant's operating statements, the Commission finds that the Applicant's request for increased rates should be denied.

#### CONCLUSIONS OF LAW

1. The Applicant, Grant Creek Water Works, is a public utility as defined in Section 69-3-101, MCA. The Montana Public Service Commission properly exercises jurisdiction over Applicant's rates and service pursuant to Section 69-3-102, MCA.

2. The Commission has provided adequate public notice and an opportunity to be heard as required by Section 69-3-303, MCA, and Title 2, Chapter 4, MCA.

3. The rates and rate structure approved in this order are just and reasonable. Sections 69-3-201, and 69-3-330, MCA.

ORDER

NOW, THEREFORE, IT IS ORDERED THAT:

1. Grant Creek Water Works application for authority to increase water rates and charges in its Missoula, Montana service area is DENIED.

2. Grant Creek Water Works shall continue with the rate schedules currently on file with this Commission.

3. DONE IN OPEN SESSION at Helena, Montana, this 23rd day of November, 1987, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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TOM MONAHAN, Commissioner

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DANNY OBERG, Commissioner

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JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.